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**LB 168**

Revision: 01

# FISCAL NOTE

## LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised to reflect a state sales tax rate of 5.5%.

### ESTIMATE OF FISCAL IMPACT – STATE AGENCIES \*

	FY 2003-04		FY 2004-05	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(128,000)		(130,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(128,000)		(130,000)

\*Does not include impact on political subdivisions. See narrative for political subdivision estimates.

This bill grants a sales tax exemption to industrial machinery and equipment, including parts for repairs, purchased by another state or another state's political subdivisions. This exemption applies if the other state extends a reciprocal exemption to Nebraska. This bill is operative on July 1, 2003.

REVENUES: This bill grants a sales tax exemption and therefore it will reduce General Fund sales tax revenues. The estimate is as follows:

Revenue estimate:	FY2004	FY2005	FY2006	FY2007
Sales tax rate at 5.5%	(128,000)	(130,000)	(132,000)	(134,000)

The Legislative Fiscal Office understands that the Department of Revenue used adjusted audit results to arrive at their estimate of the revenue reduction. The LFO adjusted the agency's estimate to reflect a state sales tax rate of 5.5%, and inflated the out-biennium amounts.

IMPACT ON POLITICAL SUBDIVISIONS: Political subdivisions that levy a sales tax will have reduced revenues. Additionally, political subdivisions will have an expenditure reduction under this bill because they will not have to pay the sales tax. The net impact to political subdivisions is as follows:

State sales tax rate at 5.5%:	FY2004	FY2005	FY2006	FY2007
Sales tax revenue loss to cities	(29,000)	(30,000)	(30,000)	(31,000)
Expenditure reduction	128,000	130,000	132,000	134,000
Net impact - expenditure reduction	99,000	100,000	102,000	103,000